



## DEFENSE FINANCE AND ACCOUNTING SERVICE

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JAN 13 1997

(DFAS-HQ/F)

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- CLEVELAND CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- DENVER CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- INDIANAPOLIS CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- KANSAS CITY CENTER

SUBJECT: Department of Defense Financial Management Regulation,  
Volume 7, Part C (DoDFMR, Vol 7C), Procedures for  
Mandatory Electronic Funds Transfer (EFT) of Federal  
Payments (Item E-32)

This is Interim Change Number 1 Cl-96 to the DoDFMR, Vol 7C.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7C, EFT for all Federal payments. The attached final version of the change includes your comments where appropriate, incorporates the provisions of P.L. 104-134, the Debt Collection Improvement Act and additional policy/procedural guidance issued by DFAS-HQ/FCD which authorizes phased implementation. The attached policy guidance, Under Secretary of Defense, Comptroller, memorandum dated December 9, 1996, Implementation Guidance for Mandatory Electronic Funds Transfer of Federal Payments, will be incorporated in the DoDFMR, Vol. 5.

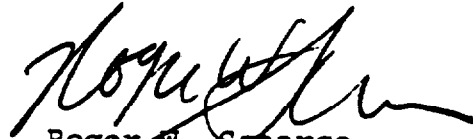
This policy change is effective immediately with phased implementation authorized as systems become available. Notification to affected members will commence immediately with full implementation required, where feasible, by January 1, 1999. The phased implementation plans provided by the functional areas within each Center will be addressed by separate correspondence.

We have determined this regulatory change is to be implemented under the auspices of DFAS Regulation 7920.3-R. The DJMS PMO will ensure the necessary systems changes are scheduled for implementation consistent with all known requirements. Centers are advised to make DFAS Headquarters (FMM) an information addressee on implementing field procedures.

For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Vol 7C. Please forward copies of implementing procedures, as each phase is initiated. The enrollment policy/procedures, for Air Force basic military trainees and certain officer trainees will be addressed in a separate correspondence.

For the Cleveland Center, phased implementation is authorized to the extent systems are available to make payments. Navy JUMPS is a legacy system and will not be changed unless it is determined the change is both beneficial and cost effective. In that regard, please submit a POA&M for implementation procedurally and cost benefit analyses to support systems changes, if applicable.

Our point of contact, Ms. Ann Cook, may be contacted at DSN 327-5059 or (703) 607-5059. Our FAX number is DSN 332-5271 or (703) 602-5271.



Roger W. Searce  
Brigadier General, USA  
Deputy Director for Finance

Attachment:  
As stated

cc: DASD (MPP) (COMP)  
DGC (F)  
DFAS-HQ/DG  
DFAS-DE/DG  
Service Liaisons  
USCG/NOAA/PHS Liaisons  
DJMS PMO  
DRAS

1. Add new chapter 7 to read as follows:

"CHAPTER 7" - "IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY"

0701 GENERAL PROVISIONS

070101      AUTHORITY:    P.L. 104-134, April 26, 1996  
                               31 USC, 3332

070102 PURPOSE: This chapter provides the policy/procedures for the administration and delivery of payments to military members, retirees, and annuitants through EFT.

070103      POLICY: Effective July 26, 1996, P. L. 104-134, requires all Federal payments to be made by EFT by January 1999. Since 1992 the prescribed method of payment within the Department of Defense (DoD) has been EFT. DoD considers the requirement to participate in EFT as a reasonable condition of service or benefit for personnel including enlistments, commissions, promotions, reenlistments, retirements, and survivor benefit annuitant recipients. This policy requires payments by EFT for all new active duty, reserve, retired, and annuitant payments on or after July 26, 1996, unless the recipient of the new payment certifies in writing that they do not have a financial institution or authorized payment agent (Example: I certify that I do not have a financial institution or authorized payment agent. Signature \_\_\_\_\_ Date \_\_\_\_\_).

070104 APPLICABILITY AND SCOPE:

A. All payments to active duty members, reservist, retirees, including annuitant payments and allotments will be paid by EFT. This includes payments due for bonuses, special pays, advance pays, incentive pays, travel payments, and allotments.

B. This policy is effective for new recipients of new federal payments on and after July 26, 1996. However, phased implementation of the policy to coincide with the implementation of required systems changes is authorized. Notification and implementation will commence immediately with full implementation required by January 1, 1999. NOTE: Emergency payments (as defined in Part A, Paragraph 40111) and certification of no account with a financial institution, as described in above paragraph 070103, are the only exceptions to the requirement for delivery by EFT. All pay for which an exception to the EFT requirement has not been granted, and for which the payee has not designated an account for receipt will be held at the servicing DFAS central site (when systems changes become available) until the required financial institution information is provided. Also, all check payments will be mailed on payday from the

servicing DFAS central site to the member's mailing address.

070105      PERSONNEL SUBJECT TO EFT PARTICIPATION:

A. ACTIVE DUTY MILITARY. Active duty military personnel and personnel entering or reentering the Services upon arrival at their respective military processing station. Personnel currently on active duty but not enrolled in EFT will be required to submit EFT information when they go TDY, PCS, get promoted, reenlist, or become eligible for a new payment on or after July 26, 1996, or certify in writing that they do not have a financial institution.

B. RESERVE AND NATIONAL GUARD. Reserve and National Guard personnel entering or reentering a reserve component upon processing into their respective component or upon mobilization or recall to active duty. Mobilized or recalled personnel are also required to continue participation after demobilization or deactivation. Personnel currently affiliated with a reserve or National Guard unit but not enrolled in EFT will be required to submit EFT information when they become eligible for any new payment on or after July 26, 1996, or certify in writing that they do not have a financial institution.

C. MILITARY RETIREES AND ANNUITANTS. All retirees, separated military personnel and Survivor Benefit Plan annuitants who become eligible for new payments or annuities on or after July 26, 1996, must provide EFT information or certify in writing that they do not have a financial institution.  
Note: Personnel currently receiving payments at a financial institution or address in a foreign country where EFT is not available are exempt from this policy until EFT becomes available.

D. ACADEMY AND RESERVE OFFICER TRAINING CORPS (ROTC) CADETS AND MIDSHIPMEN. Service academy and ROTC cadets and midshipmen are required to participate in EFT. Personnel not presently enrolled must enroll immediately or certify in writing that they do not have a financial institution.

E. IRR/IMA PERSONNEL. Individual Ready Reservists and annual muster participants are required to participate in EFT. Personnel not presently enrolled must enroll immediately or certify in writing that they do not have a financial institution.

070106      PERSONNEL EXEMPT FROM EFT PARTICIPATION

A. Active duty military, retirees, or annuitants receiving payments in an overseas area where EFT is not available are exempt from this policy until EFT becomes available at a financial institution in their area or they relocate to an area where EFT is available.

B. Written Certification Waiver. Individuals must certify

in writing that they do not have a financial institution.

(1) For active duty members and reservists, certifications must be submitted in writing to the Unit Commander.

(2) For retirees, certifications must be submitted in writing to DFAS-Cleveland Center, Retired Pay Operations, Cleveland, Ohio 44199.

(3) For annuitants, certifications must be submitted in writing to DFAS-Denver Center, Annuitant Pay, Denver, Colorado 80279

070107 REIMBURSEMENT FOR DISHONORED CHECK CHARGES.

A. Reimbursements. Charges resulting from erroneous information provided by the individual or the financial institution to the servicing financial office are not the liability of the Government and will not be reimbursed. Reimbursement for dishonored check charges is authorized when an administrative or mechanical error on the part of the Government causes the pay of a military member to be deposited late or in an incorrect manner or amount. Such reimbursements are limited to overdraft charges or minimum balance or average balance charges levied by the financial institution.

B. The servicing DFAS Center will contact the financial institution to explain the error and request that charges levied against the account holder be reversed. If the financial institution declines their request for reversal, Government reimbursement of the charges will be made via EFT, directly to the applicable account involved. Such charges are funded from the appropriation available for the pay of the member concerned.

070108 ALLOTMENTS.

A. SAVINGS ALLOTMENTS. EFT is required for all savings allotments sent to financial institutions participating in the Federal Reserve System.

B. ALLOTMENTS TO NON-INDIVIDUALS. EFT is required for all discretionary allotments to non-individuals.

C. EFT is the preferred method for paying all allotments and should be used whenever possible. It is DoD's intention to work with recipients of all allotments, such as courts receiving child support and/or alimony payments, dependents, spouses, insurance companies, mortgage companies, loan companies, etc., to accept allotment payments by EFT when systems become available for third party EFT.